

Rhode Island Franchisee Association, Inc.

40 Jordan St., East Providence, RI 02914

April 7, 2021

Chairman Marvin Abney
House Committee on Finance
State House – Room 35
Providence, RI 02903

Re: H-6121 – An Act Relating to Making Revised Appropriations in Support of FY 2021

Dear Chairman Abney:

Please accept this letter strongly opposing Article 2 of H-6121, legislation which would tax federal Payroll Protection Program (PPP) loans over \$150,000.

Our organization is comprised of small business owners who have been dealing with the COVID-19 pandemic for over a year. Operating our businesses and ensuring our valued employees and customers remain healthy and safe in this environment has presented new challenges and increased costs which we will continue to confront for the foreseeable future. Indeed, some of our members have closed locations as a result of the pandemic's economic impact.

Article 2 of the supplemental budget bill targets those small businesses hit hardest by the COVID-19 pandemic's economic devastation. Our members and other small businesses around the state applied for PPP loans in order to keep our workers employed and avoid additional layoffs, which would have increased state government costs and further depleted the unemployment insurance fund. Moreover, businesses accepted these loans with the understanding that Rhode Island piggybacks on the federal tax code, meaning that these funds would be exempt from income taxation. Retroactively taxing these federal stimulus funds amounts to a bait-and-switch and would discourage investment in Rhode Island.

While Rhode Island is beginning to see light at the end of the tunnel regarding the COVID-19 pandemic, our businesses continue to face significant economic headwinds. This proposal is shortsighted and would harm the state's business climate. Government should be working with the business community to improve the state's economy and incentivize investment in the state, rather than penalize small businesses who accepted federal relief dollars in order to stay afloat and keep their workers employed during the height of the pandemic.

We respectfully ask you to keep these challenging circumstances at the front of mind and oppose the Governor's proposal to tax PPP loans. Thank you for your consideration of our organization's position.

Sincerely,

/s/

Guido Petrosinelli
Chairman, Rhode Island Franchisee Association